

CACHE VALLEY TRANSIT DISTRICT

FINANCIAL STATEMENTS

December 31, 2006

CACHE VALLEY TRANSIT DISTRICT
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) as of and for the year ended December 31, 2006, which comprises the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of December 31, 2006, and the respective changes in financial position thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Jones Simkins P.C.

JONES SIMKINS, P.C.

March 29, 2007

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2006

As management of the Cache Valley Transit District (the District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities on the District for the fiscal year ended December 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. District's government-wide financial statements are combined with the fund financial statements in one form. Currently, there are no significant differences between the government-wide financial statements and the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses could be reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$829,163 at the close of the most recent fiscal year, which is an increase of \$167,301 over the prior year.

Cache Valley Transit District's Net Assets

| | <u>2006</u> | <u>2005</u> |
|-------------------|-------------------|----------------|
| Total assets | \$ <u>986,377</u> | <u>707,764</u> |
| Total liabilities | <u>157,214</u> | <u>45,902</u> |
| Total net assets | \$ <u>829,163</u> | <u>661,862</u> |

Cache Valley Transit District's Changes in Net Assets

| | <u>2006</u> | <u>2005</u> |
|--------------------------|-------------------|----------------|
| Revenues: | | |
| Sales tax | \$ 996,799 | 897,670 |
| Federal and state grants | 106,302 | - |
| Charges for services | 39,070 | - |
| Other revenue | <u>34,460</u> | <u>19,284</u> |
| Total revenue | <u>1,176,631</u> | <u>916,954</u> |
| Expenses: | | |
| Operating expenses | 1,009,330 | 855,865 |
| Loss on sale of asset | <u>-</u> | <u>1,886</u> |
| Total expenses | <u>1,009,330</u> | <u>857,751</u> |
| Increase in net assets | 167,301 | 59,203 |
| Net assets, January 1 | <u>661,862</u> | <u>602,659</u> |
| Net assets, December 31 | \$ <u>829,163</u> | <u>661,862</u> |

Sales tax revenue for 2006 increased by 11% or \$99,129 over 2005 sales tax revenue due to general growth and a strong economy. In addition, we obtained a federal grant, passed through the State of Utah, for operations in rural areas. Also, we entered into a contract for services to provide transit services between Logan, Utah and Preston, Idaho.

Operating expenditures for 2006 increased by 17.9% or \$153,465 over 2005 operating expenditures. Contract services increased by approximately \$100,000 because the District authorized the contractor for transit services (Laidlaw Transit) to increase the wage for hourly personnel, add a staff position, and provide additional services. In addition, fuel costs increased and the City of Logan charged an administrative fee of approximately \$25,000 which had not been charged directly to the District in previous years.

CACHE VALLEY TRANSIT DISTRICT
Management's Discussion and Analysis
December 31, 2006

General Fund Budgetary Highlights

The District amended the original budget when the Board authorized entering into a contract to provide services to Preston, Idaho.

The District's significant budget variances related to: 1) sales tax growth was stronger than expected because the economy was stronger than projected, 2) the District did not purchase a capital asset expected to be funded with a grant, and 3) fuel costs were less than projected but still higher than the prior year.

Capital Asset and Debt Administration

Title to all capital equipment is held in the name of Logan Transit District (Logan City). The District has paid the local match for any capital assets purchased with federal or state grants. Therefore, there are no capital assets to be reported by the District at year-end.

There is no long-term debt.

Other Significant Events

Subsequent to year-end, the Logan Transit District was annexed into the District. As part of the annexation, the City of Logan agreed to transfer all capital assets and some liquid assets to the District for the continued operation of transit service.

Requests for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Finance Director, 754 West 600 North, Logan, Utah 84321.

BASIC FINANCIAL STATEMENTS

CACHE VALLEY TRANSIT DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
December 31, 2006

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Net Assets</u> |
|---|-------------------------|---------------------------------|------------------------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 768,275 | - | 768,275 |
| Due from other governments | 218,102 | - | 218,102 |
| Capital assets, net of accumulated depreciation | - | - | - |
| Total assets | \$ <u>986,377</u> | - | <u>986,377</u> |
| <u>Liabilities</u> | | | |
| Due to other governments | \$ <u>157,214</u> | - | <u>157,214</u> |
| Total liabilities | <u>157,214</u> | - | <u>157,214</u> |
| <u>Fund Balances/Net Assets</u> | | | |
| Fund balance: | | | |
| Unreserved | <u>829,163</u> | - | <u>829,163</u> |
| Total fund balances | <u>829,163</u> | - | <u>829,163</u> |
| Total liabilities and fund balances | \$ <u>986,377</u> | | |
| Net assets: | | | |
| Investment in capital assets, net of related debt | | - | - |
| Restricted net assets | | - | - |
| Unrestricted | | <u>829,163</u> | <u>829,163</u> |
| Total net balances | \$ | <u>829,163</u> | <u>829,163</u> |

The accompanying notes are an integral
part of these financial statements.

CACHE VALLEY TRANSIT DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|--------------------------------------|-------------------------|---------------------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 996,799 | - | 996,799 |
| Federal and state grants | 106,302 | - | 106,302 |
| Charges for services | 39,070 | - | 39,070 |
| Interest | 34,460 | - | 34,460 |
| | <u>1,176,631</u> | <u>-</u> | <u>1,176,631</u> |
| Total revenues | | | |
| Expenditures/expenses: | | | |
| Current: | | | |
| Professional and technical services | 641,385 | - | 641,385 |
| Fuel and tires | 150,230 | - | 150,230 |
| Equipment maintenance | 115,438 | - | 115,438 |
| Personnel services | 26,206 | - | 26,206 |
| Administrative charges by Logan City | 24,989 | - | 24,989 |
| Insurance | 15,432 | - | 15,432 |
| Utilities | 14,529 | - | 14,529 |
| Supplies and miscellaneous | 10,771 | - | 10,771 |
| Publicity and advertising | 7,213 | - | 7,213 |
| Travel and training | 3,137 | - | 3,137 |
| Depreciation | - | - | - |
| | <u>1,009,330</u> | <u>-</u> | <u>1,009,330</u> |
| Total expenditures/expenses | | | |
| Excess of revenues over expenditures | 167,301 | - | 167,301 |
| Fund balances/net assets: | | | |
| Beginning of the year | 661,862 | - | 661,862 |
| End of the year | <u>\$ 829,163</u> | <u>-</u> | <u>829,163</u> |

The accompanying notes are an integral
part of these financial statements

CACHE VALLEY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2006

| | General Fund | | | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|-----------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes | \$ 939,905 | 939,905 | 996,799 | 56,894 |
| Federal and state grants | 224,760 | 224,760 | 106,302 | (118,458) |
| Charges for services | - | 20,000 | 39,070 | 19,070 |
| Interest | 16,357 | 16,357 | 34,460 | 18,103 |
| Total revenues | 1,181,022 | 1,201,022 | 1,176,631 | (24,391) |
| Expenditures: | | | | |
| Personnel services | 50,764 | 50,764 | 26,206 | 24,558 |
| Travel and training | 3,216 | 3,216 | 3,137 | 79 |
| Publicity and advertising | 5,504 | 5,504 | 7,213 | (1,709) |
| Fuel and tires | 191,497 | 191,497 | 150,230 | 41,267 |
| Equipment maintenance | 110,763 | 110,763 | 115,438 | (4,675) |
| Supplies and miscellaneous | 8,377 | 8,377 | 10,771 | (2,394) |
| Insurance | 17,000 | 17,000 | 15,432 | 1,568 |
| Utilities | 25,939 | 25,939 | 14,529 | 11,410 |
| Professional and technical services | 597,958 | 617,958 | 641,385 | (23,427) |
| Administrative charges by Logan City | 24,989 | 24,989 | 24,989 | - |
| Capital expenditures | 133,700 | 133,700 | - | 133,700 |
| Total expenditures | 1,169,707 | 1,189,707 | 1,009,330 | 180,377 |
| Excess of revenues over expenditures | \$ 11,315 | 11,315 | 167,301 | 155,986 |
| Fund balance - beginning of year | | | 661,862 | |
| Fund balance - end of year | \$ | | 829,163 | |

The accompanying notes are an integral
part of these financial statements

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Cache Valley Transit District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity

The Cache Valley Transit District (the District) was incorporated on November 21, 2000, under authority of Section 17B-2-215 of the Utah Code Annotated, as amended, for the purpose of providing a public mass transportation system for Cache Valley communities. The voters of the serviced communities authorized the collection of sales tax for transit purposes to begin in April 2001. The District's transit operations started in August 2001.

The District operates in Hyde Park, Hyrum, Millville, Nibley, North Logan, Providence, Richmond, River Heights, and Smithfield. The District's operations include bus service and paratransit service for the transit disabled.

The District is governed by a nine member Board of Trustees, which is the legislative body of the District and determines all questions of District policy. Each municipality participating in the District appoints a member to the Board of Trustees. The District is not considered to be controlled or fiscally dependent on any other entity and therefore is not a component unit of another entity. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District. These statements have been combined with the fund financial statements because the District is a single-purpose government with minimal adjustments between the fund financial statements and the government-wide financial statements. The District's single purpose is classified as a governmental activity. Governmental activities are usually financed through taxes, intergovernmental revenues and other non-exchange revenues.

The District's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. The District currently only has unrestricted net assets.

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Additionally, long-term assets and long-term liabilities are recognized in the Statement of Net Assets.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenue considered to be susceptible to accrual is sales tax and certain contract revenues. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. The District currently has no long-term debt.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The District currently only uses a general fund.

As described in Note 5, the District reimburses the Logan Transit District (LTD) for all expenditures incurred. The District categorizes and reports the expenditures based on the type of expenditure rather than showing all expenditures as professional and technical services.

Sales Tax Revenues

As approved by the voters in serviced communities, a one-quarter of one percent sales tax is collected in these communities to provide the District with operating revenues for mass transit purposes. Sales tax revenues are accrued for the month in which the sales take place.

Cash and Cash Equivalents

Cash equivalents include amounts invested in the Utah Public Treasurers' Investment Fund.

Due From Other Governments

Due from other governments consists of amounts due to the District from sales tax collections and contractual services provided to the Idaho Department of Environmental Quality. Management does not believe any credit risk exists related to these receivables.

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. As of year-end, the District did not have title to any capital assets.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; environmental matters; damage to property and injuries to passengers and other individuals resulting from accidents and errors and omissions.

Under the Utah Governmental Immunity Act, the maximum statutory liability in any one accident is limited to \$1,000,000. The District has purchased third-party insurance to reduce the potential of loss due to accident or error. There has been no significant reduction in insurance coverage or settlements in excess of insurance coverage.

Budgets and Budgetary Accounting

The District's budgetary process follows Section 17A-1 of the Utah Code Annotated, as amended. The District's annual budget is approved by the Board of Trustees as provided for by law. Operating and non-operating revenues and expenditures are budgeted on the modified accrual basis. The District adopts its annual budget in December of the preceding fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund balance sheet. Capital assets are however, reported in the government-wide statement of net assets

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Note 3 - Cash and Cash Equivalents

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At December 31, 2006, the District's deposits and investments consisted of the following:

| <u>Financial Statement Description</u> | <u>Deposits</u> | <u>Investments</u> | <u>Cash</u> | <u>Total</u> |
|--|-------------------|--------------------|----------------|----------------|
| Cash and cash equivalents: | | | | |
| Public Treasurer's Investment Pool | \$ <u> -</u> | <u>768,275</u> | <u> -</u> | <u>768,275</u> |
| Total cash and cash equivalents | \$ <u> -</u> | <u>768,275</u> | <u> -</u> | <u>768,275</u> |

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 3 - Deposits and Investments (continued)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District did not maintain a bank account during the fiscal year. The City of Logan handled all disbursements and receipts of cash through their own bank account and received reimbursements through transfers from the District's Public Treasurer's Investment Fund account.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 3 - Deposits and Investments (continued)

As of December 31, 2006, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all District investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At December 31, 2006, all investments held by the District are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible. As of December 31, 2006, all of the District's investments were in the PTIF.

CACHE VALLEY TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 4 - Capital Assets

For 2006, the District did not have title to any capital assets, acquire any capital assets, or dispose of any capital assets. All assets used in operations were property of the City of Logan. The District used the assets in accordance with the cost sharing agreement with the City's Transit District.

Note 5 - Agreements and Transactions with the Logan Transit District (LTD)

The District entered into a cost sharing agreement with the LTD, which is a special revenue fund of the City of Logan. The agreement, which is renewable annually on July 1st, outlines costs that will be shared and costs that will be specifically allocated in full to each entity. Shared costs are allocated to each entity based on their proportionate share of service hours. The District's share of these expenses was 31% for the year. The agreement also requires the District to pay the local match for all equipment purchased with Federal Transit Administration funds. The title to all equipment remains with LTD for the useful life of the equipment.

The District also reimburses LTD for personnel services, accounting services, and other operational expenses. As a matter of convenience, the District places amounts on deposit with LTD to provide funding for reimbursable expenditures. Amounts owed to LTD are presented net of the amount on deposit. At December 31, 2006, the District owed LTD \$157,214 for reimbursable expenditures.

Note 6 - Subsequent Event

On February 19, 2007, the Lieutenant Governor of the State of Utah issued a Certificate of Annexation for the District. The annexation indicated that the area previously served by the City of Logan Transit District had been annexed into the Cache Valley Transit District. In conjunction with this annexation, the City of Logan authorized the transfer of all capital assets and some liquid assets related to the City's Transit District to the Cache Valley Transit District.

GOVERNMENT AUDITING STANDARDS
REPORT



Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of Cache Valley Transit District (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, others within the organization, the Board of Trustees, and State agencies and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
March 29, 2007

STATE COMPLIANCE REPORT



**JONES
SIMKINS**
P.C.

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Board of Trustees
Cache Valley Transit District
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2007. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate letter to management dated March 29, 2007. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.



JONES SIMKINS, P.C.
March 29, 2007



Certified Public Accountants

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To the Board of Trustees
Cache Valley Transit District
Logan, Utah

We have audited the financial statements of the Cache Valley Transit District (the District) for the year ended December 31, 2006, and have issued our report thereon dated March 29, 2007.

Communications Required Under Professional Standards

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards, Government Auditing Standards.

As stated in our engagement letter dated March 13, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and to report on the internal control in accordance with Government Auditing Standards and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies and Audit Adjustments

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. Management has elected to present expenditure categories in detail that more closely reflects the budget categories.

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. No audit adjustments were made.

Internal Control

In planning and performing our audit of the financial statements of the District for the year ended December 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We noted no conditions during our review of the internal control that we believe are material weaknesses. However, our audit disclosed the following conditions that although not considered by us to be material weaknesses, are either weaknesses in internal control for which corrective action might be taken or immaterial instances of noncompliance.

State Compliance

1. We noted that the District did not hold a public hearing to amend its budget in November 2006 regarding the additional costs to be incurred related to the Franklin County route. We recommend that the District hold public hearings for all budget amendments.

Management Response:

We concur with the auditor's recommendation and will implement procedures to comply with this State law.

2. We noted that the District's fund balance exceeded 25% of total fund revenues for the year. We recommend that the District develop a plan to come into compliance with State law.

Management Response:

Subsequent to year end, the District hired a finance director who will determine the appropriate corrective action to comply with State law.

We appreciate the cooperation and assistance from the management of the District and City of Logan personnel during our audit. Their help was very beneficial in the completion of this year's audit.

This report is intended solely for the use of the Board of Trustees and management and should not be used for any other purposes. If questions arise concerning the above recommendations, please contact us and we will be happy to discuss them with you.



JONES SIMKINS, P.C.
March 29, 2007